

## What is a Cash Book?

A Cash Book records the opening money balance at the beginning of a period, money paid and received during the period, and the consequent balance at the end of the period.

Opening Balance **less** payments **plus** receipts **equals** closing balance.

A Cash Book is a record of what happened to cash money (or money in the bank) only.

You cannot tell from Cash Books alone, whether or not a business has made a profit. For this you must add up the value all the assets, not just money, by using full-scale “double-entry” or “ledger” book-keeping (see brief note below\*).

But since cash is the most critical asset of any business, insofar as lack of cash usually means ceasing and closing down, keeping a Cash Book is the first and minimum record that every business must keep.

There are many forms in which a Cash Book can be kept. They can resemble a bank statement, for example.

Usually a business will keep a Cash Book for each separate stock of money. Usually this means at least two: a main Cash Book for the bank account, and a Petty Cash Book for the cash money held on the premises.

A Receipts and Payments Account is a summary of all Cash Books for a given period of time, such as a year. This is the most basic form of accounting, frequently used by voluntary organisations.

### What are Vouchers?

Vouchers are paper evidence of the truth of entries in the Cash Book. They are usually filed in a way that allows easy checking of any entry in the Cash Book.

# Brief Principles of Book-Keeping

**Double-entry** is the system that records both sides of any transaction: the giver's, and the receiver's.

**Credits**, on the right side, represent income or liabilities.

**Debits**, on the left side, represent expenses or assets.

For every credit there is an equal amount of debit, and vice versa.

The excess of income over expenses in a period is the profit for that period. The calculation is called a **Profit and Loss Account** for the period. It shows by how much the business's wealth has increased (or decreased) in the period.

The excess of assets over liabilities at a date is the equity of the business at that date. It shows the difference between what you own and what you owe. This is summarised in the **Balance Sheet** at the date.

*Dominic Tweedie, January 2004*

## Examples

### Cash Book

Date	Item	Voucher	Debit	Credit
Jan 1	Opening Balance		365.00	
2	Donation	R001	100.00	
10	Photocopying	CS001		75.00
12	Donation	R002	1200.00	
15	Jetline			500.00
16	Books (Cash Sale)	R003	200.00	
18	Donation	R004	350.00	
18	Transport			400.00
22	Books (Cash Sale)	R005	2400.00	
25	Telkom			1000.00
26				800.00
			4615.00	2775.00
31	Balance, c/f			1840.00
			4615.00	4615.00
	Balance		1840.00	

**Jetline**

Date	Item	Voucher	Debit	Credit
Jan 10	Photocopying on Credit - Jetline			500.00
15	Cash		500.00	
24	Printing			800.00
26	Cash		800.00	
			1300.00	1300.00

**Telkom**

Date	Item	Voucher	Debit	Credit
Jan 20				1000.00
25	Cash		1000.00	
			1000.00	1000.00

**Purchasor 1**

Date	Item	Voucher	Debit	Credit
Jan 20	Books		1000.00	
31	Balance, c/f			1000.00
			1000.00	1000.00
	Balance		1000.00	

**Donations**

Date	Item	Voucher	Debit	Credit
Jan 1	Cash			100.00
12	Cash			1200.00
18	Cash			350.00
31	Balance, c/f		1650.00	
			1650.00	1650.00
	Balance			1650.00

**Sales**

Date	Item	Voucher	Debit	Credit
Jan 16	Cash			200.00
20	Purchasor 1			1000.00
22	Cash			2400.00
31	Balance, c/f		3600.00	
			3600.00	3600.00
	Balance			3600.00

**Expenses**

Date	Item	Voucher	Debit	Credit
Jan 2	Photocopying, Cash		75.00	
10	Photocopying on Credit - Jetline		500.00	
15	Telkom		1000.00	
18	Transport		400.00	
24	Printing		800.00	
31	Balance, c/f			2775.00
			2775.00	
	Balance		2775.00	

**Receipts and Payments account for the period to 31 January**

Date	Item			R.
Jan 1	<b><u>Opening Balance</u></b>			365.00
	<b><u>Receipts</u></b>			
	Donations	1650.00		
	Sales	<u>2600.00</u>	4250.00	
	<b><u>Less: Payments</u></b>			
	Printing	1375.00		
	Transport	400.00		
	Telkom	<u>1000.00</u>	<u>2775.00</u>	1475.00
Jan 31	<b><u>Closing Balance</u></b>			<u>1840.00</u>
	<b><u>Debtors</u></b>			
	Purchasor 1			<u>1000.00</u>

**Course: Induction****24051, Keeping a Cash Book and other accounts**

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